

## Reporting Details

The Improper Payments Information Act (IPIA) of 2002 is an initiative to identify programs susceptible to significant improper payments and reduce the amount and number of erroneous payments. The goal of this initiative is to improve the integrity of the government's payments and the efficiency of its programs and activities.

The IPIA requires Federal agencies to carry out a cost-effective program for identifying payment errors and recovering amounts overpaid. An improper (or erroneous) payment includes any payment that should not have been made or that was made in an incorrect amount under statutory, contractual, administrative, or other legally-applicable requirement. Incorrect amounts include overpayments; underpayments (including inappropriate denials of payment or service); any payment made to an ineligible recipient or for an ineligible service; duplicate payments; payments for services not received; and payments that do not account for credit for applicable discounts.

To implement IPIA, OMB requires agencies to review all programs (meeting OMB's definition of program) to determine the risk susceptibility of making improper payments and to perform more in-depth assessments for those programs meeting OMB's criteria for "significant erroneous payments." The threshold for significant erroneous payments is erroneous payments exceeding both 2.5% of program payments and \$10 million annually. For all programs meeting the criteria, agencies are required to quantify the amount of erroneous payments using a statistically valid method with a 90% confidence level.

## Summary of Risk Assessments and Payment Audits Performed During FY 2009

Based on a series of internal control review techniques, Interior determined that none of its programs is risk-susceptible for making significant improper payments at or above the threshold levels set by OMB. This review was conducted in addition to audits under the Single Audit Act Amendments of 1996, the CFO Act of 1990, GAO reviews, and reviews by Interior's OIG. Interior utilized different techniques to arrive at this determination:

(1) risk assessments of internal controls related to payments for all programs performed as part of the assessment of internal control over financial reporting; and (2) prepayment and post-payment audits and recoveries.

**Risk Assessments.** Appendix C to OMB Circular A-123 states that annual risk assessments are required for all agency programs where the level of risk is unknown until the risk level is determined and baseline estimates are established. It also states that for agency programs deemed not risk-susceptible, risk assessments are required every three years unless the programs experience a significant change in legislation and/or significant increases in funding level. Programs experiencing significant changes must undergo a risk assessment during the next annual cycle.

Interior conducts annual risk assessments of programs susceptible to erroneous payments. The FY 2009 review of program outlays resulted in a low risk rating. The Department reported low error rates for improper payments for five consecutive years and continues to address this requirement.

FIGURE 3-1

FY 2009 Recovery Auditing Report (dollars in thousands)								
Interior	Amount Subject to Review for FY 2009 Reporting	Actual Amount Reviewed and Reported CY	Amount Identified for Recovery CY	Amount Recovered CY	Amount Identified for Recovery PYs	Amount Recovered PYs	Cumulative Amount Identified for Recovery (CY+PYs)	Cumulative Amount Recovered (CY+PYs)
TOTAL	\$4,143,844	\$4,143,844	\$151	\$192	\$1,791	\$1,642	\$1,944	\$1,830

KEY: CY Current Fiscal Year 2009  
PYs Prior Fiscal Years 2005 - 2008

**Prepayment Audit of Government Bills of Lading.**

Interior has been conducting prepayment audits of freight bills via GBL for a number of years. This effort is required by the Travel and Transportation Reform Act of 1998. Efforts continue with Interior's bureaus to ensure that all freight bills receive prepayment audits. Prepayment audit contractors identified \$1.0 million in savings from the 2,594 GBLs reviewed with an audit base of \$15 million; this amounts to approximately 6.62% in savings to the Government.

**Recovery Audits.** The Department requires that all bureaus have an audit recovery program in place. This program can be contracted out or "In House" practices and procedures applied. The audit base during FY 2009 for Interior was \$4.1 billion through September 30, 2009. Figure 3-1 summarizes the results of the Department's recovery audit activities.

Since the percentage of erroneous payments is less than 1%, (.04% for FY 2009) the Department considers that there are adequate controls in place, including information systems and infrastructure, to minimize the occurrence of erroneous payments to vendors.

**FY 2010 Planned Activities**

During FY 2010, the Department will take the following actions to minimize the risk of improper payments:

- ▶ Continue using contractor assistance to perform prepayment audits of GBLs and recovery audits.
- ▶ Review bureau recovery audit reports to determine if any bureau experienced significant increases in improper payment percentages from FY 2009 and implement corrective action plans, as required.
- ▶ Review programs exceeding \$100 million in annual outlays to determine if there have been any significant changes in legislation and/or significant increases in funding levels affecting these programs. These changes would precipitate a risk assessment of those programs for improper payments.
- ▶ Schedule programs for risk assessment in FY 2010 based on the FY 2009 annual review of changes to program risk assessment posture, as part of the Department's three-year risk assessment plan.

- ▶ Review and update Annual Risk Assessment guidance to incorporate improvements in conducting, reporting, and documenting the program to ensure compliance with A-123, Appendix C.

**Special Account Funds**

NPS has concession agreements which contain provisions that provide for the establishment of escrow type accounts to be used to develop, improve, and maintain visitor facilities. The concessioner periodically deposits a percentage of gross revenue in the account as provided in the concessioner agreement. These "special account" funds are maintained in separate interest-bearing bank accounts for the concessioners, are not assets of the NPS, and may not be used in NPS operations. Therefore, the balances, inflows, and outflows of these concessioner special accounts are not recognized in the consolidated financial statements of the NPS. The concessioners reported that these special accounts balances totaled approximately \$33.4 million and \$41.9 million (unaudited), as of September 30, 2009 and 2008, respectively.

**Compliance with Other Key Legal and Regulatory Requirements**

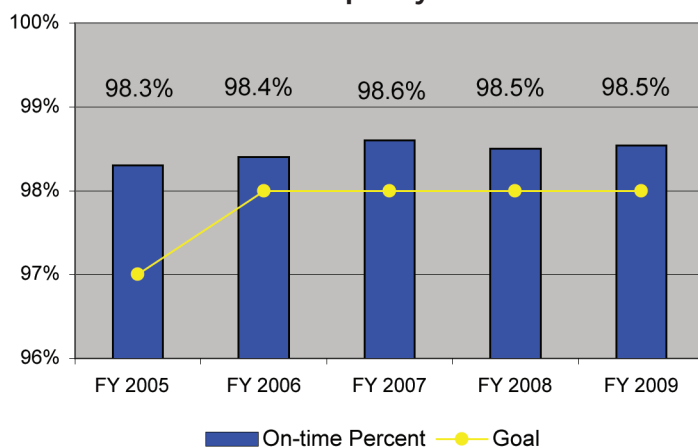
Interior is required to comply with several other legal and regulatory financial requirements, including the PPA and the DCIA.

**Prompt Pay, Debt Collection, and Electronic Funds Transfer**

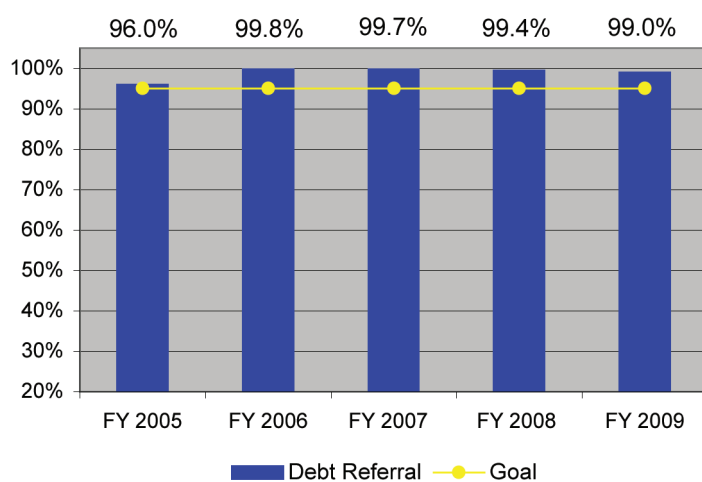
The Department is continuing to improve performance under the requirements of the PPA and the DCIA. The PPA requires that eligible payments be made within 30 days of receipt of invoice; otherwise, the Federal Government is required to pay interest. The DCIA requires any nontax debt owed to the United States that has been delinquent for a period of over 180 days be turned over to the Department of the Treasury for collection. The Electronic Funds Transfer (EFT) provision of the DCIA mandates all recipients of Federal payment, receive their payments electronically, except for tax refunds.

The Department exceeded its FY 2009 performance goals for PPA (Figure 3-2), DCIA (Figure 3-3), and payments made by EFT (Figure 3-4).

**FIGURE 3-2**  
**Prompt Payment**



**FIGURE 3-3**  
**Debt Referral**



**FIGURE 3-4**  
**Electronic Funds Transfer**

